



Future Ameritech “Take Back” of MPSC Regulatory Conditions

- Pending Appeals in State Court:
 - »PSC Cost Rules Illegal
 - »PSC Dialing Parity Rules Illegal
 - »PSC Unbundling Requirements Illegal
- Arbitration Decision [55 Exceptions to Panel Recommendation]
 - »Will Appeal
- “Agreed to” Disclaimer in Arbitration Agreements
- FCC First Report and Order Appeal.
- State Constitutional Objections (Unbundling, Dialing Parity, Pricing)



Environmental Circumstances Hindering Local Competition

- Interfaces / Operational Systems Not In Place
- Access Services Quality
- Conduct Hindering Competition



Interface/Operational Systems Not in Place

For Local Service

- Ameritech Has Only Manual Systems for Pre-Ordering, Maintenance, Repair -- initial Electronic Interface Specifications For Pre-Ordering Not Available Until Late November
- Ameritech Will Not Discuss Accommodations to Electronic Interface Specifications for Ordering and Provisioning Until After 1-1-97
- Electronic Interface Testing So Far with Ameritech: 85 Resale Orders, of which 25 Not Processed After Six Weeks; Resale Only
- Currently ALL CLEC Orders Manually Processed

Compare Long Distance

- Proven Operational Systems to Switch InterLATA LD Customers to Ameritech: 150,000/Week Capability (est.)



Other Operational Problems

- No Operational Parity for Unbundled Loops (Illinois Consolidated)
- E911 Complaint (Southfield)



Access Service Quality Degradation

Special Access Required for Competition for Large Business Customers

Before/After 1994

- Prior to 1994

95% of new orders provided by
desired due date

85-90% of failed DS0 service
restored in < 1 hour

35-40% of failed DS1 service
restored in < 3 hours

- After September 1994*

40% of new orders provided by
desired due date

45% of failed DS0 service
restored in < 1 hour

10% of failed DS1 service
restored in < 3 hours

* From AT&T Complaint Filed on October 30, 1996, Case No. U-11240.

Purple Chart Bob Lock did on Ameritech T1.5 missed orders 7/93-6/96

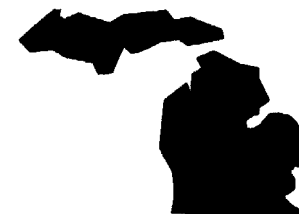




Conduct Hindering Competition

- Presubscription “Refusal”
- Recurringly Flawed Cost Studies
- Adjudicated Deceptive Practices
- Adjudicated Discrimination Against Competitors (Great Lakes)
- Operational Practices Hindering Competition (Brooks Fiber)

Circuit Court Motion for Mandamus November 20, 1996



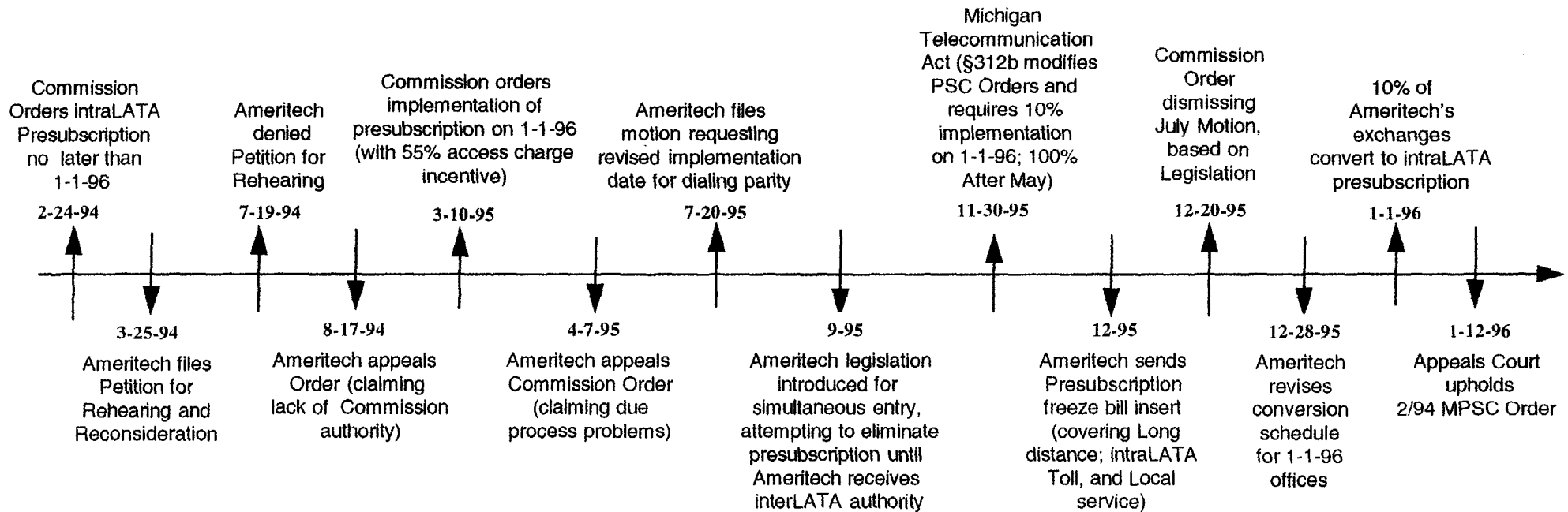
Don Kesky, Assistant Attorney General and Attorney for MPSC*:

“We have for one of the first times in memory, a situation where a utility on its own, unilaterally, has decided not to follow lawful and reasonable orders of the Commission, which by statute, are to be accorded the presumption of lawfulness and validity.

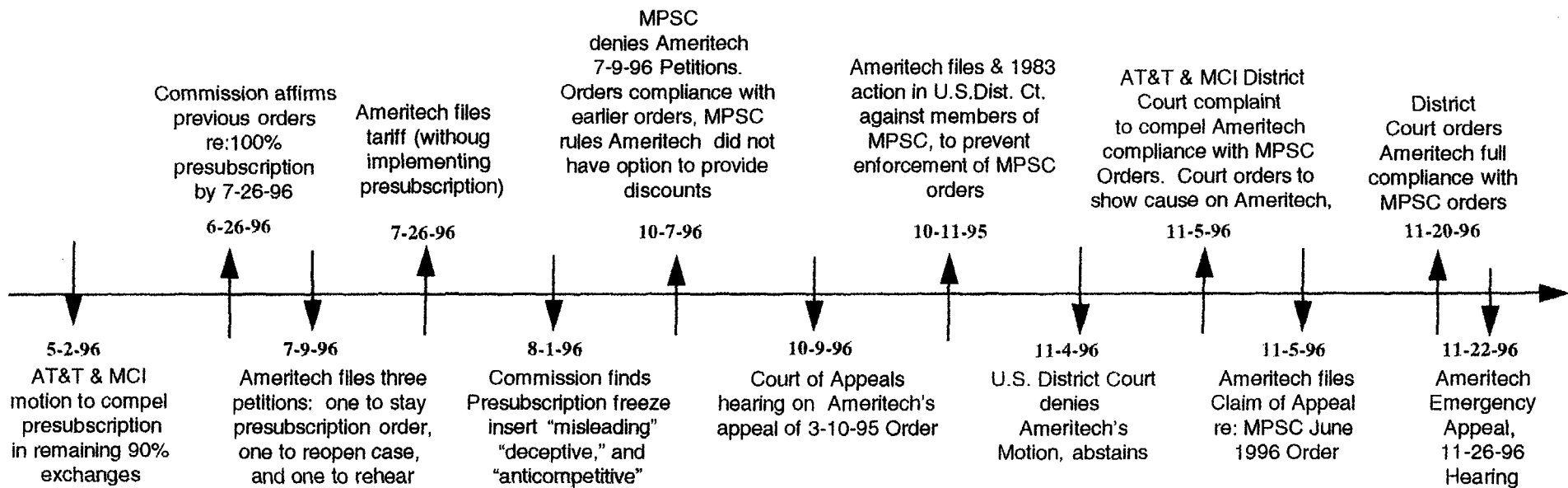
“[T]his is a lawless approach, your Honor. This is a very dangerous approach to the institutions of both regulation and of court procedure, and should not be countenanced.”

* Source: Transcript of Oral Argument, AT&T v. Michigan Bell, File No. 96-84800-AW, November 20, 1996, p.17.

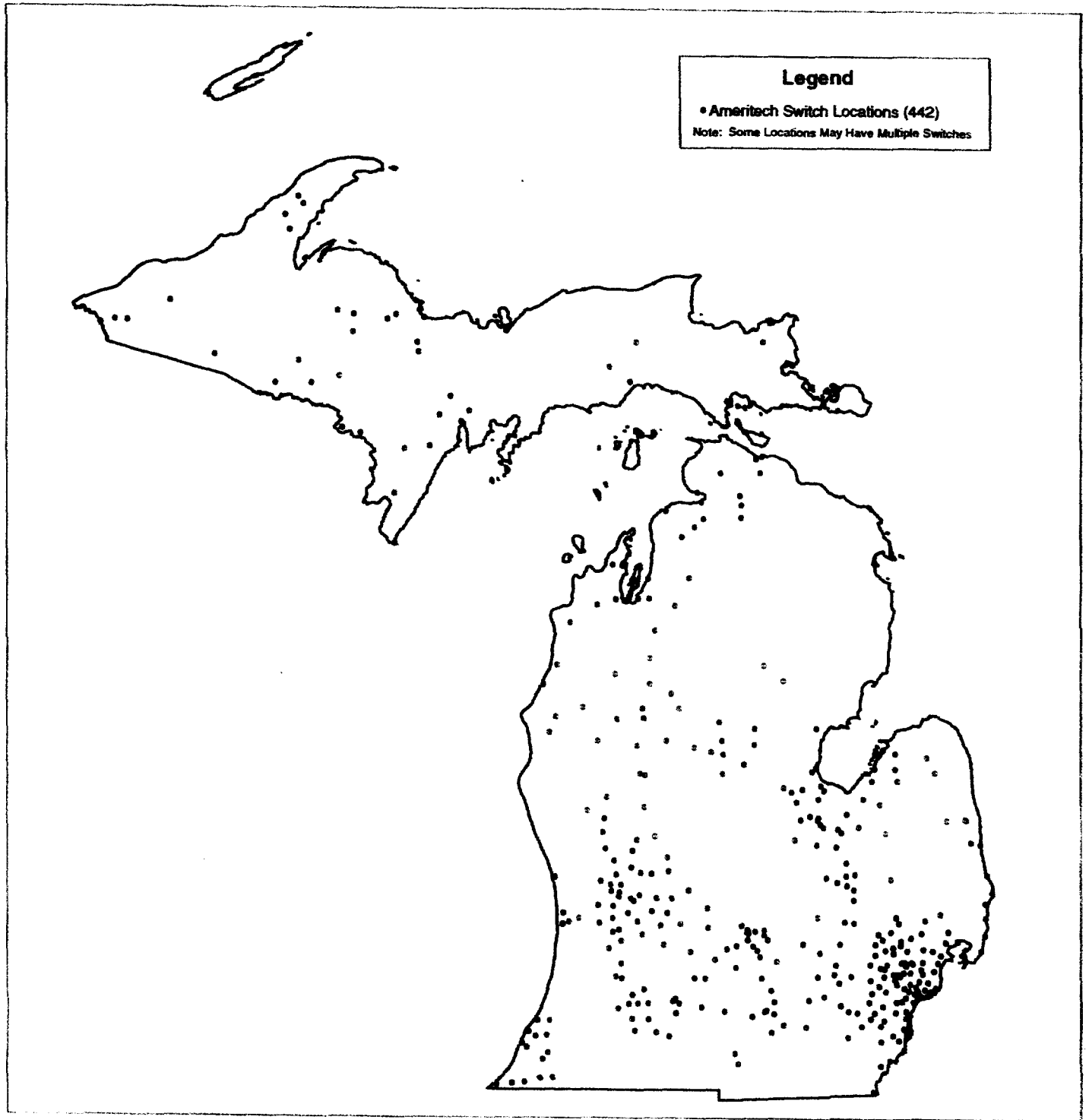
Ameritech IntraLATA Presubscription “Refusal”



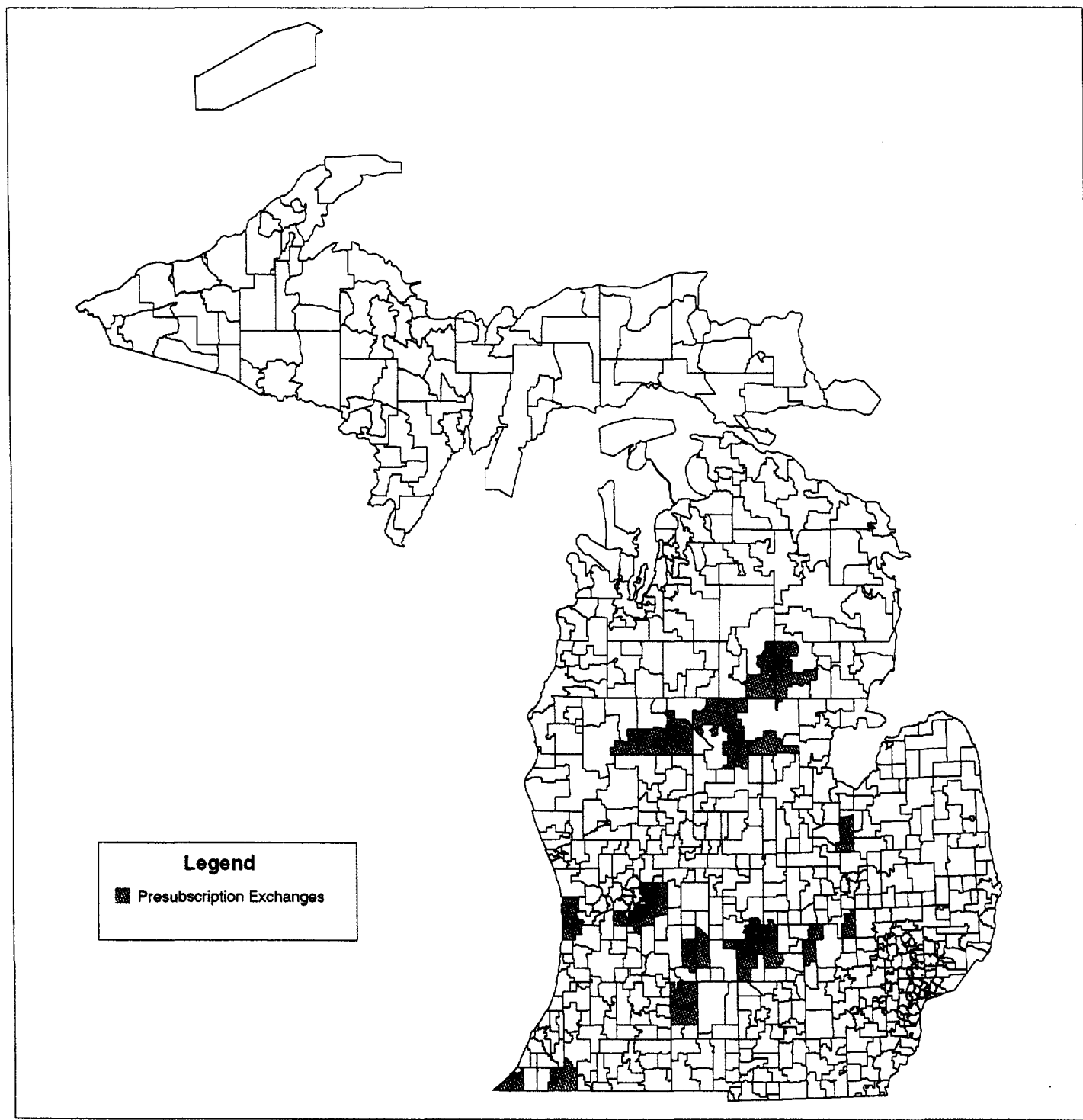
Ameritech IntraLATA Presubscription “Refusal” (cont’d)



Ameritech Switch Locations



Exchanges In Which Presubscription Has Been Implemented



Ameritech's Flawed Cost Studies Rejected by MPSC



Background

- » TSLRIC Adopted as Standard in Michigan (9/94)
- » FCC TELRIC = Michigan TSLRIC + common costs

TSLRICs for UNEs, Traffic Termination, Interim Number Portability

Commission rejects all Ameritech cost studies. On non-recurring charges:

“The Commission further finds that the non-recurring line connection charge...is not justified in this record, it is likely far above TSLRIC, is far above what Ameritech Michigan charges its own customers for the same service, and if implemented, would constitute a significant barrier to market entry. Ameritech Michigan appears to have “front loaded” the calculation of non-recurring costs in a fashion that could be anticompetitive.” (MPSC Order, p.78, issued 6/5/96)

Commission rejects Ameritech's refiled cost studies:

“Ameritech Michigan has abandoned the requirement that cost studies incorporate the same total cost of each network element used in the provision of a particular service. Rather, the company has impermissibly varied the cost of network elements by varying assumptions used to develop annual cost factors to correspond with the perceived competitiveness of the service being studied.” (MPSC Order, p.3, issued 9/12/96)

Cost Studies (cont'd)



“The Panel similarly questions these cost assumptions incorporated in Ameritech’s new studies filed in this case...support [justify a different risk-adjusted cost of capital or depreciation rate] is lacking...The Panel finds no evidence to support an immediate change in fill factors.” (Panel Decision, p.19, issued 10/28/96)

Ameritech submits revised TSLRIC/TELRIC studies to support 1997 “just and reasonable” interconnection rates. (Schedule Pending Case No. U-11224)

Ameritech submits revised TSLRIC/TELRIC in support of SGAT (Schedule delayed, Case No. U-11104)

Ameritech again refiles TSLRICs associated with 1995 Case No. U-10860 (Case Nos. U-11155/11156)

Cost Studies (cont'd)



Wholesale

- Compliance tariff filing due 1/1/96, accepted by Staff with reservations:

“For the record I will note that we are not in total agreement with Ameritech staff regarding. . . that a net rather than a gross avoided cost calculation is appropriate.”

(MPSC Staff letter from W. Celio to Ameritech, 6/9/96)

- Arbitration Panel rejects Ameritech wholesale discount studies, based on:

“Ameritech. . . continues to insist that portions of certain accounts are still incurred in the wholesale environment and devotes significant resources to identifying new costs associated with the wholesale environment rather than identifying avoided costs which should be the main focus of any avoided cost study.”

(Arbitration Panel Decision, p. 26, issued 10/28/96)

- Ameritech SGAT wholesale cost studies pending (Case No. U-11104)

Cost Studies (cont'd)



Retail (Basic Local Exchange Service)

Commission accepts, noting “ that its review was ... based on costing methodologies that may be subject to adjustments in the future.”
(Case No. U-11039 MPSC Order, p.10, issued 5/10/96)

Commission dismisses without prejudice Ameritech original cost studies:
“The Commission is persuaded that Ameritech Michigan’s [supplemental] filing of reformulated TSLRIC studies constituted an acknowledgement that its original TSLRIC studies were sufficiently flawed that they cannot provide a basis for the Commission to approve the restructuring application.”
(Case No. U-11148 Order, p.3, issued 11/7/96)



Adjudicated Deceptive Practices

• “PIC Freeze” Complaint Brought by Sprint

- A Bill Insert Purporting to Protect Customers Against Deceptive “Slamming” Practices, but Actually Sent Prior to IntraLATA Presubscription by Ameritech IntraLATA Marketing Group Intended to Create Barrier to Customers Choosing New Carriers.

• ***PIC Freeze Complaint By Sprint: Ameritech Impeded the Presubscription Process***



- “The Commission finds the bill insert to be deceptive and misleading. Just a few months before sending the bill insert, Ameritech Michigan had provided notice of the impending implementation of intraLATA dialing parity and used the terminology ‘intraLATA toll calling.’ . . . Yet in the bill insert, Ameritech Michigan used the term ‘long distance’ to mean inter- and intraLATA services. . . . pp. 5-6

“ In addition, the bill insert is misleading because it states that ‘Ameritech can do nothing to resolve the problem after your long distance service has been slammed.’. . . Rather, by falsely implying that the customer would be stuck with the carrier that slammed his or her account, Ameritech Michigan sought to create a sense of urgency to enroll in PIC protection just as intraLATA dialing parity was about to be offered to some customers.” p. 7

MPSC Order, Case No. U-11038, August 1, 1996.

Adjudicated Discrimination Against Toll Competitor Great Lakes Telecom

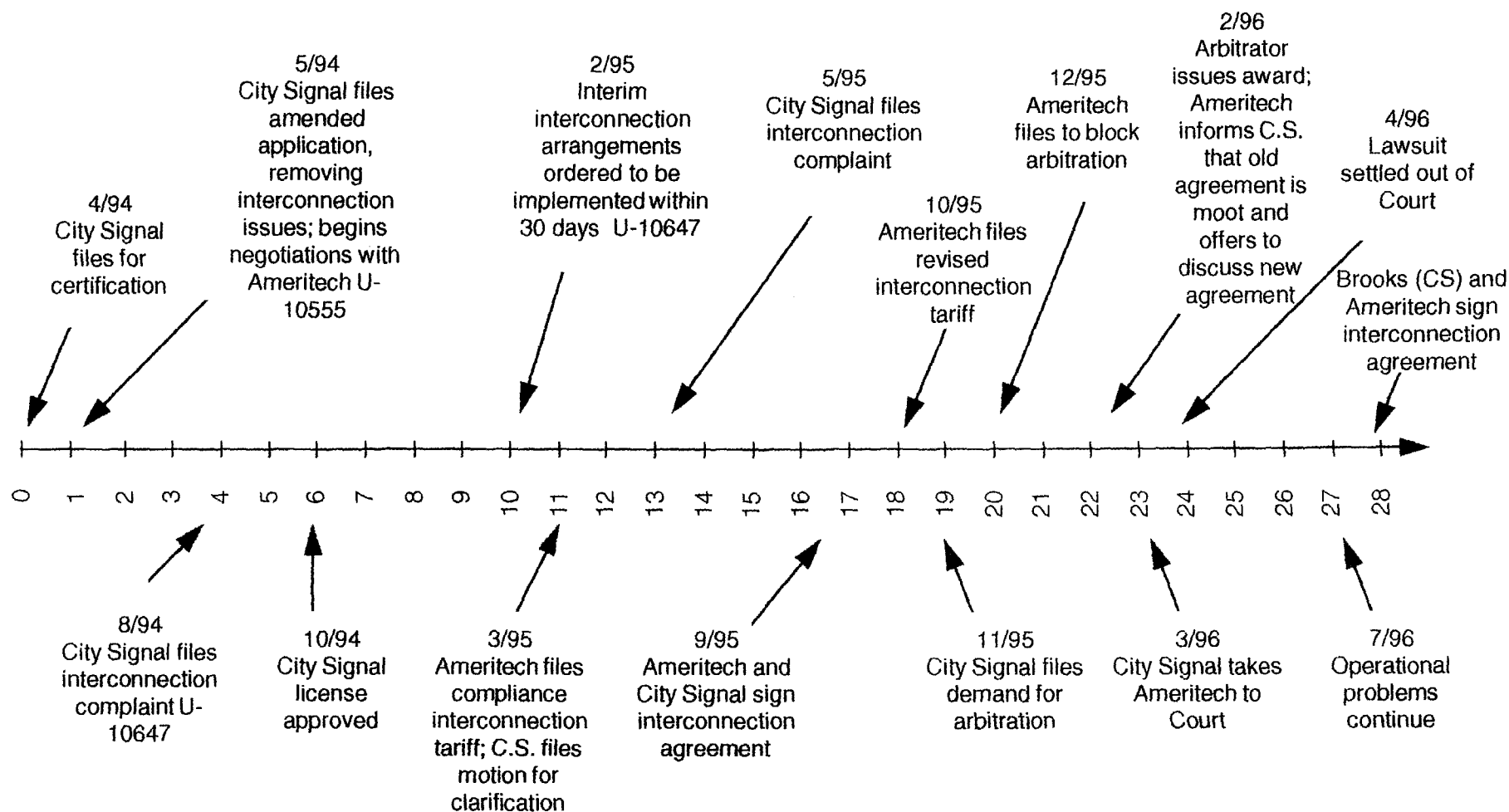


“Ameritech Michigan violated the act in terminating and then refusing to provide FGA service to Great Lakes as a provider, both because it failed to comply with the relevant tariff and because it unreasonably discriminated against Great Lakes.”

MPSC Order, Case No. U-10941, April 10, 1996, p.17.

Operational Implementation Delay Scenario

City Signal (Brooks) Saga in Michigan



Section 271 Docket/Statement of Generally Available (SGAT)



- Opted Docket to File Information Concerning Checklist Compliance
 - Ameritech Filing November 13
 - Next Ameritech Filing After November 26
 - Parties Have 14 Days To Reply
 - Commission Submitting Information Sua Sponte: PIC Freeze Order, Presubscription Order, Staff Comments or Competition, etc.
 - No Scheduled Date For Decision
- SGAT: - Filed September 30 To Be Effective November 30
 - Staff, Industry Opposed
 - Ameritech Extends Date To April 1, 1997

MICHIGAN



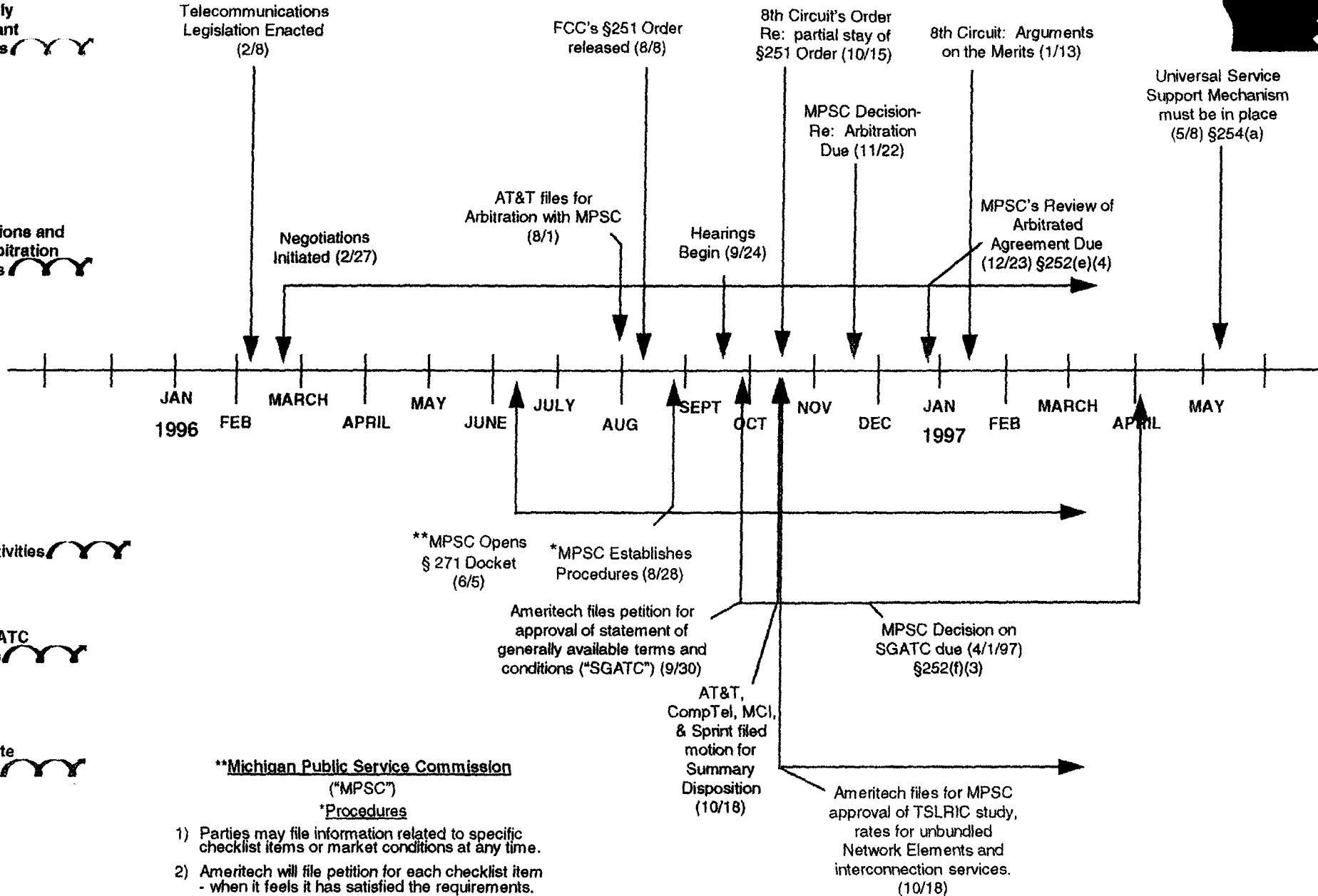
Nationally Significant Activities

AT&T Negotiations and State Arbitration Activities

State Activities

State SGATC Activities

Other State Activities



****Michigan Public Service Commission ("MPSC")**
***Procedures**

- 1) Parties may file information related to specific checklist items or market conditions at any time.
- 2) Ameritech will file petition for each checklist item - when it feels it has satisfied the requirements.
- 3) Interested parties will have 14 days to respond.

Ameritech in Michigan

11/26/96